



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2019 Biennium

Bill #	SB0252	Title:	Revise pass-through entity withholding
Primary Sponsor:	Blasdel, Mark	Status:	As Introduced

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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>	<u>FY 2020 Difference</u>	<u>FY 2021 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: SB 252 expands the current waiver from filing a composite return or withholding tax for certain second-tier pass-through entities to qualifying C. corporations and other entities. As these entities are required to account for any tax liability on their income tax returns, there is no expected revenue impact.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

- Under current law, a "domestic second-tier pass-through entity" is a pass-through entity whose interest is entirely held, either directly or indirectly, by one or more resident individuals.
- SB 252 expands the definition of "domestic second-tier pass-through entity" to a pass-through entity whose interest is entirely held, either directly or indirectly, by one or more resident individuals, domestic C. corporations, or any other entities, organizations, or accounts whose principal place of business or administration is located in the state of Montana or any combination of interests held by resident individuals, domestic C. corporations, or any other entities, organizations or accounts whose principal place of business or administration is located in Montana.
- SB 252 also creates a new definition for "domestic C. corporation" as a corporation that is engaged in or doing business in the state.
- Under current law, a pass-through entity is allowed an exemption from filing a composite return or withholding tax for an owner that is a domestic second-tier pass-through entity if the pass-through entity files

a statement with the information on the domestic second-tier pass-through entity and the information establishes that the domestic second-tier pass-through entity's share of the Montana source income should be fully accounted for in a resident individual income tax return.

5. SB 252 expands the exemption for a pass-through entity from filing a composite return or withholding tax for owners that qualify under the proposed definition of domestic second-tier pass-through entities and domestic C. corporations.
6. As pass-through entities affected by this legislation must establish that the domestic second-tier pass-through entities' and domestic C. corporations' Montana source income should be fully accounted for in their income tax returns, this bill should have no impact on revenue.
7. This bill is effective on passage and approval and applies retroactively to tax years beginning after December 31, 2016.

Sponsor's Initials

Date

Budget Director's Initials

Date